

Message Text

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ACTION EUR-25

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E.O. 11652: NA

TAGS: EFIN, EINV, EAID, TU

SUBJ: COOLEY LOAN PROBLEMS FOR US INVESTORS

DEPARTMENT PASS OPIC

PARIS PASS USMISSION OECD

REF ISTANBUL 2206

1. ECONOMIC COUNSELOR AUGUST 15 CALLED ON OZSARAC (ACTING DIRECTOR GENERAL FOR EXCHANGE CONTROLS), TREASURY DEPT, TO INQUIRE REASON BEHIND TREASURY DEPT'S AUGUST 6 LETTER ORDER FIRMS WITHIN 30 DAYS TO DEPOSIT FUNDS EQUIVALENT TO COOLEY LOAN PROFITS WHICH SO FAR NOT COVERED BY ACTUAL EXPORTS. COUNSELOR REFRRD TO AGREEMENT BETWEEN TREASURY AND FIRMS WHICH ALLOW THEM THREE-YEAR PERIOD ENDING DECEMBER 31, 1974. FOR UNBLOCKING OF COOLEY LOAN PROFITS THROUGH EXPORTS.

2. OZSARAC SAID COOLEY LOAN RECIPEINTS DID NOT HAVE ANY RIGHT
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UNDER TURKISH LAW FOR UNBLOCKING OF COOLEY LOAN PROFITS. GOT

HAD, HOWEVER, GRANTED THEM A CONCESSION TO THIS EFFECT AS AN AMICABLE SOLUTION TO SOME DIFFICULTIES AND LAWSUITS PRIOR TO 1972. HOWEVER, OZSARAC SAID TREASURY DEPT NOW HAD NO CHOICE BUT TO COMPLY WITH TWO DECISIONS BY ADMINISTRATIVE COURT WHICH HAD BEEN RATIFIED BY COUNCIL OF STATE. DECISIONS WERE IDENTIFIED AS FOLS: A. CASE 1970-2831--DECISION 1971-4211 AND B. CASE 1970-3935--DECISION 1973-1065. OZSARAC SAID ONE OF PROVISIONS OF AGREEMENT BETWEEN TREASURY DEPT AND COOLEY LOAN RECIPIENT FIRMS, WHICH ALLOWED LATTER THREE-YEAR PERIOD, WAS FOR WITHDRAWAL OF LAWSUITS BROUGHT BY FIRMS. HOWEVER, TWO FIRMS DID NOT WITHDRAW THEIR SUITS WHICH SUBSEQUENTLY LED TO THE COURT DECISIONS. HE IDENTIFIED THE FIRMS AS CHRYSLER AND WILLYS-OVERLAND (THE LATTER NO LONGER HAS ACTIVE INVESTMENT IN TURKEY).

3. ECONOMIC COUNSELOR ARGUED STRONGLY FOR PERMITTING FIRMS WHICH HAD SIGNED AGREEMENTS IN GOOD FAITH WITH TREASURY DEPARTMENT IN JANUARY 1972 TO GAIN FULL BENEFIT OF THREE-YEAR PERIOD. HE POINTED OUT THAT ONLY FIVE MONTHS REMAINED FOR CONCLUSION OF THIS PERIOD. OZSARAC SAID TREASURY DEPT LAWYERS HAD STUDIED MATTER AND CONCLUDED THAT COURT DECISIONS APPLIED AS SOON AS POSSIBLE TO ALL FIRMS EQUALLY UNDER CURRENT LEGISLATION, A. LAW FOR PROTECTION OF VALUE OF TURKISH CURRENCY AND B. LAW FOR ENCOURAGEMENT OF FOREIGN INVESTMENT.

4. ECONOMIC COUNSELOR SAID THAT APPARENTLY ALL BUT TWO US FIRMS HAD COMPLIED FULLY WITH AGREEMENTS REACHED IN JANUARY 1972. HE ASKED IF TREASURY COULD NOT THEREFORE HONOR AGREEMENT WITH ALL OF THOSE FIRMS. OZSARAC SAID TREASURY'S LEGAL ADVISERS SAID THIS WAS IMPOSSIBLE, ALL FIRMS MUST COMPLY. HE SAID THAT IN FACT ONLY EIGHT FIRMS WILL BE AFFECTED BY THE RECENT DECISION AND THE TREASURY DEPT'S LETTER OF AUGUST 6. HE IDENTIFIED THESE AS GOODYEAR, TURK KABLO (KAISER), UNIROYAL, TURK GENERAL ELECTRIC, PFIZER, SINGER, ABBOTT, AND CHRYSLER.

5. OZSARAC SAID THE TREASURY DEPT HAD DECIDED NOT TO REQUIRE FIRMS TO DEPOSIT IN BLOCKED ACCOUNTS ALL OF PROFITS ATTRIBUTABLE TO COOLEY LOAN FUNDS. TREASURY IS INSTRUCTING FIRMS ONLY TO DEPOSIT THOSE FUNDS WHICH UP TO AUGUST 6, 1974, HAVE NOT BEEN COVERED BY ACTUAL EXPORTS. COUNSELOR AGAIN ASKED IF TREASURY DEPT COULD NOT USE SAME DISCRETIONARY AUTHORITY TO ALLOW FIRMS IN LIMITED OFFICIAL USE

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QUESTION THE BENEFIT OF THE ADDITIONAL FIVE MONTHS PROVIDED FOR IN THEIR AGREEMENTS. OZSARAC SAID HE REGRETTED THIS

EXCEEDED THE DISCRETIONARY AUTHORITY OF TREASURY.

6. ECONOMIC COUNSELOR THANKED OZSARAC FOR HIS INFORMATION AND SAID THAT HE WOULD TAKE MATTER UP FURTHER WITH AHMET TUFAN GUL, SECRETARY GENERAL OF TREASURY. OZSARAC SAID HE WOULD BE HAPPY

TO TELL GUL OF EMBASSY'S INTEREST IN THIS MATTER AND OF COUNSELOR'S
INTENTION TO DISCUSS MATTER FURTHER WITH GUL.
MACOMBER

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Message Attributes

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